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OFFICE OF REGULATORY STAFF
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DAN F. ARNETT
CHIEF OF STAFF



November 17, 2004

Mr. George Dorn
Interim Executive Director
**South Carolina Public Service Commission**
101 Executive Center Dr., Suite 100
Columbia, SC 29210

Re: Application of Development Service, Inc. for Approval of New Schedule of Rates and Charges for Sewerage Service Provided to Residential and Commercial Customers in all Areas Served
PSC Docket No.: 2004-212-S

Dear George:

Please find enclosed the original and one (1) copy of the Office of Regulatory Staff's First Continuing Data Request. Please accept the original for filing and return a stamped copy in the enclosed envelope. Please let me know if you have any questions.

Sincerely,

Shannon Hudson

Shannon Bowyer Hudson

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Elliott.data.req.ltr(11-17-04).doc

Enclosures

**BEFORE**

**THE PUBLIC SERVICE COMMISSION**

**OF SOUTH CAROLINA**

**DOCKET NO. 2004-212-S**



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| IN RE: Application of DEVELOPMENT SERVICE, INC. for Approval of New Schedule of Rates and Charges For Sewage Service Provided to Residential and Commercial Customers in all areas Served. | ) ) ) ) ) ) | **Office of Regulatory Staff's First Continuing Data Request** |

This is to certify that I, Cindy Clary, an employee with the Office of Regulatory Staff, have this date served one (1) copy of the "Office of Regulatory Staff's First Continuing Data Request" in the above-referenced matter to the person(s) named below by causing said copy to be deposited in the United States Postal Service, first class postage prepaid and affixed thereto, and addressed as shown below:

Scott Elliott, Esquire
**Elliott & Elliott, P.A.**
721 Olive Street
Columbia, South Carolina 29205

Cindy Clary

Cindy Clary
**Office of Regulatory Staff**
Post Office Box 11263
Columbia, South Carolina 29211

November 17, 2004
Columbia, South Carolina

**BEFORE**

**THE PUBLIC SERVICE COMMISSION**

**OF SOUTH CAROLINA**

**DOCKET NO. 2004-212-S**

S.C. PUBLIC SERVICE COMMISSION
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RECEIVED
EXECUTIVE DIRECTOR'S OFFICE

| | | |
|---|---|---|
| IN RE: Application of DEVELOPMENT SERVICE, INC. for Approval of New Schedule of Rates and Charges For Sewage Service Provided to Residential and Commercial Customers in all areas Served. | ) | **Office of Regulatory Staff's First Continuing Data Request** |

**TO: SCOTT ELLIOTT, ESQUIRE, ATTORNEY FOR THE APPLICANT, DEVELOPMENT SERVICE, INC.**

## INSTRUCTIONS

The Office of Regulatory Staff hereby requests, pursuant to 26 S.C. Code Regs. 103-853 (Supp. 2003), that you answer the following data requests in writing and under oath within ten (10) days after service at the Office of Regulatory Staff, 1441 Main Street, Suite 300, Columbia, South Carolina, 29201. If you are unable to respond to any of the data requests, or part or parts thereof, please specify the reason for your inability to respond and state what other knowledge or information you have concerning the unanswered portion.

As used in these data requests, "identify" means, when asked to identify a person, to provide the full name, title, and current address and telephone number of the person, and, if his full name is unknown, a complete physical description giving such person's sex, race, approximate age, height, and weight. When asked to identify a document, "identify" means to provide a full and detailed description of the document and the name and address of the person who has custody of the document. In lieu of providing a full and detailed description of a document, you may attach to your responses a copy of the document and identify the person who has custody of it. When the word "document" is used herein, it means any written, printed, typed, graphic, photographic, or electronic matter of any kind or nature and includes, but is not limited to, statements, contracts, agreements, reports, opinions, graphs, books, records, letters, correspondence, notes, notebooks, minutes, diaries, memoranda, transcripts, photographs, pictures, photomicrographs, prints, negatives, motion pictures, sketches, drawings, publications, and tape recordings. As used in this data request, "address" means home address, mailing address, and business address.

Wherever in this data request a masculine pronoun or possessive adjective appears, it refers to both males and females in accordance with traditional English usage.

IT IS HEREIN REQUESTED:

A. That all information shall be provided to the undersigned in the format as requested.

B. That all responses to the requests below be labeled using the same numbers as used herein.

C. That each of the enumerated data requests be reproduced at the beginning of each of the responses.

D. That if the requested information is found in other places or in other exhibits, reference not be made to those, but instead, that the information be reproduced and placed in the data request in the appropriate sequence.

E. That any inquiries or communications relating to questions concerning clarifications of the data requested below be directed to the undersigned.

F. That all exhibits be reduced to 8 ½" x 11" format, where practical.

G. That the requested information be bound in ring binders (loose leaf notebooks) or otherwise suitably bound.

H. That in addition to the signature and verification at the close of the Company's responses, the Company witness(es) or employee(s) responsible for the information contained in each response be indicated.

I. That the Company provide to the Office of Regulatory Staff two copies of the responses to this data request as soon as possible but no later than ten (10) days after service thereof.

J. If the response to any data request is that the information requested is not currently available, please state when the information requested will be available.

K. This data request shall be deemed to be continuing so as to require the Company to supplement or amend its responses as any additional information becomes available.

## QUESTIONS

1.1 Describe the construction and/or upgrades proposed or taking place at DSI, Inc.

1.2 With regard to the loan agreement referenced in the Application on page 4 in paragraph 8:

a. Has the loan been approved and been finalized?
b. Have the funds from the loan agreement been received?
c. What is the loan amount?
d. What is the interest rate?
e. What is the loan period in months?
f. Who is the lender?

1.3 Explain the "conditional" nature of the loan as referenced in the Application on page 4, paragraph 8.

1.4 List the increased "operating expenses" DSI, Inc. has "experienced" as set forth in Paragraph 3 of the Application.

1.5 Justify DSI, Inc.'s "anticipation" that expenses will increase as set forth in Paragraph 3 of the Application.

1.6 Provide information on the following:

a. How many taps have been connected to the system from inception of the system to the present?

b. How much revenue from tap fees has been collected from customers from the inception of the system to the present?
c. What is the maximum number of taps that can be installed on the present system?
d. How many taps were provided during 1999, 2000, 2001, 2002, and 2003?
e. How many taps do you anticipate making per year during the next five years?
f. What were the total costs expensed for taps each year during 1999, 2000, 2001, 2002, and 2003?
g. What were the total costs capitalized for taps for each year during 1999, 2000, 2001, 2002, and 2003?
h. Were the costs of installing the Ruby Tuesday tap included in any of the line item expenses shown in Exhibit 2?

1.7 List and describe financing costs referred to in paragraph 4 of the Application.

1.8 Explain why completion of the proposed construction will cause rates to exceed the rates charged during construction.

1.9 Paragraph 5 of the Application states, "The new schedule of rates and charges effective during the period of construction create additional revenues of $27,208 in addition to the revenue generated during the test year ending December 31, 2003. The new schedule of rates and charges effective upon completion of construction create additional revenues of $31,198 in addition to the revenue generated during the test year ending December 31, 2003." Exhibit 2, page 1, lists revenues during the test year, during construction, and after construction as $247,883; $321,596; and $369,134, respectively. The increase in revenue as shown in Exhibit 2, page 1, exceeds the increase in revenue stated in paragraph 5 of the Application. Explain the difference.

1.10 List the names and business titles of all people who provided information for preparation of the Application.

1.11 List the names and business titles of all people who provided information for preparation of the Application exhibits. Indicate who calculated the numbers for each exhibit and list the appropriate exhibit next to the individual's name.

1.12 Provide the beginning and ending dates or estimated beginning and ending dates for the phases of construction.

1.13 List the number of residential and commercial customers as of December 31, 2003 and November 1, 2004.

1.14 What were officer and employee salaries in 1996?

1.15 Where is the performance bond accounted for in the financial information?

1.16 Provide justification for the $1166 tap fee listed on Exhibit 1 of the Application.

1.17 Provide justification for the rates during and after construction listed in Exhibit 1.

1.18 Is the state's tax credit for pollution control equipment being claimed by DSI, Inc. during the test year, during construction, and after construction? If so, what is the tax credit (or expected tax credit), and where is it included in the financial information submitted with the Application?

1.19 Is the state's tax credit for the construction or improvement of an infrastructure being claimed by DSI, Inc. during the test year, during construction, and after construction? If so, what is the tax credit (or the expected tax credit), and where is it included in the financial information submitted with the Application?

1.20 List employees employed during December 31, 1999, 2000, 2001, 2002, and 2003, including their position, date of hire, salary, hours worked per week, exempt/non-exempt status, and duties.

1.21 List state regulatory commission expenses for the test year of 2003 and for 2004, including legal expenses and postage.

1.22 Describe and detail all construction and/or current system improvement options DSI, Inc. researched, and why these options were not chosen.

1.23 Describe all financial transactions between DSI, Inc., Bush River Utilities, Inc., and Midlands Utilities, Inc. for the twelve months ended December 31, 1999, 2000, 2001, 2002, and 2003.

1.24 Provide annual expenses for DSI, Inc. for the twelve months ended December 31, 1999, 2000, 2001, 2002, and 2003 for the following accounts:

a. salaries & wages
b. purchased power
c. purchased sewage treatment
d. maintenance & repair
e. chemicals
f. office supplies & other office expenses
g. regulatory commission expenses
h. pension & other benefits
i. rent
j. insurance
k. insurance
l. office utilities

m. miscellaneous
n. legal expenses and other professional services

1.25 Please provide the balance of Accrued Interest on Customer Deposits as of December 31, 2003.

**<u>The following questions reference Exhibit 2 of the Application.</u>**

1.26 Explain the $0.76 present charge per unit shown on account number DSI-003 for the customer named "Briargate Apt., Unit C Bldg."

1.27 Submit detailed working papers breaking down the "base year" revenue, the "during construction" revenue, and the "after construction" revenue of DSI, Inc.

1.28 Provide justification and explanation for the proposed "adjustment for 1.5% uncollectibles" as shown in "Income and Expense Calculations."

1.29 What debts or other obligations of DSI, Inc. generated Interest Expense of $2249.00 for the test year?

1.30 Provide a detailed breakdown for the "Salaries – Other" category containing the amounts $17,115; $18,000; and $18,000, respectively. List the employee's name, amount paid to the employee, and the duty performed by the employee.

1.31 What additional debts or other obligations will DSI, Inc. assume or expect to assume necessitating an increase in "interest expenses" to $8000 during construction and $6000 after construction?

1.32 To what assets and in what amounts does the Depreciation Expense as shown in the Income Statement apply?

1.33 Why does the Depreciation Expense increase during construction?

1.34 Explain the proposed increases in Treatment Cost Expense and detail how the increases were calculated.

1.35 Does the proposed increase in Treatment Cost Expense in any way include coverage of fines or penalties for violations imposed by DHEC or any other agency against DSI, Inc., Bush River Utilities, Inc. or Midlands Utility Inc.? If the answer is "yes," identify the amount of each fine or penalty and explain why it was imposed.

1.36 Provide justification for the proposed increase in Professional Services and include detail of the services being provided.

1.37 Provide invoices or documentation concerning "rate case expenses."

1.38 What amortization period is being proposed for rate case expenses and provide justification for the proposed amortization period?

1.39 During the test year what items are included in the expense category "Other Operating Expense" and in what amounts?

1.40 Reconcile the statements contained in paragraph 1 of the Application stating, "DSI currently provides sewer service to sixty-six (66) active residential customers and sixty-seven (67) active commercial customers" to Exhibit 2, pages 3 and 4 and to Exhibit 4. The numbers do not match.

1.41 Explain why Dutch Square Cinema and Burlington Coat Factory are excluded from the Dutch Square Mall income and are treated as separate sources of income.

**[End of questions referencing Exhibit 2]**

1.42 Describe in detail the current liabilities comprising the $208,696 in "notes payable" listed in Exhibit 3.

1.43 What "equipment" and "treatment and disposal plant" listed in Exhibit 5 does DSI own, where is it located, and indicate the years each was placed in service?

1.44 In the last rate case involving DSI, Inc., the Commission in its "Order Approving Rates and Charges," Order No. 96-44, dated January 19, 1996 (Docket No. 94-727-S) ordered DSI, Inc. and Bush River Utilities, Inc. "to institute the use of time sheets or time cards to keep a record of the time which common employees spend working for each Company." Have DSI, Inc. and Bush River Utilities, Inc. complied with this directive of the Commission as contained in Order No. 96-44?

1.45 Subsequent to the last rate case, has there been any change in the ownership of DSI, Inc.? If so, provide a listing of the owners of the Company. Was the change in ownership approved by the Commission? If so, please identify the docket in which the Commission addressed the change of ownership of the Company?

1.46 List by year the total number of bills issued to customers during the years 1999, 2000, 2001, 2002, and 2003.

1.47 Provide a complete history of "Availability Fees" collected, including the number of Availability Accounts as of December 31, 2002 and December 31, 2003.

1.48 Provide a copy of the bank commitment letter to provide financing for construction project.

1.49 List the DSI, Inc. assets pledged for the loan referenced in the Application.

1.50 Provide the method of allocation for common expenses between DSI, Inc., Bush River Utilities, Inc., and Midlands Utility, Inc.

1.51 Provide a comparative statement and detailed work papers for expense categories and expenses by account number, including labor, for utility operations for the twelve-month periods ending December 31, 1999, 2000, 2001, 2002, and 2003.

1.52 Provide a comparative statement and detailed work papers for expense categories and expenses by account number, excluding labor, for utility operations for the twelve-month periods ending December 31, 1999, 2000, 2001, 2002, and 2003.

1.53 Provide a copy of the loan agreement referenced in the Application on page 4, paragraph 8, its applicable amortization schedule, and any other relevant documentation.

1.54 Submit all copies of bills submitted by Bush River Utilities, Inc. to DSI, Inc. and a schedule of monthly payments from DSI, Inc. to Bush River Utilities, Inc. for the years 1999, 2000, 2001, 2002, and 2003.

1.55 Submit a schedule of projected monthly payments from DSI, Inc. to Bush River Utilities, Inc. during the "construction" phase and during the "after construction" phase.

1.56 Provide a schedule showing when salaries of DSI, Inc. employees are paid and pay stubs for three consecutive pay periods for officers and staff.

1.57 Provide a schedule detailing the amount of bonuses received by DSI, Inc. officers, owners and employees during the test year.

1.58 Provide a depreciation schedule for all DSI, Inc. plant and equipment.

1.59 Provide the complete general accounting ledger for the 2003 test year.

1.60 Provide a schedule showing the number of billing units served by DSI, Inc. at December 31, 2003 for the following:

a. Residential (single family/apartments)
b. Mobile Homes
c. Car Washes
d. Churches
e. Factories (separated by those with no showers, with showers, and with kitchen facilities)
f. Food Services Operations (separated by those that are not 24-hour restaurants, are 24-hour restaurants, provide curb-side service, serve fast-food, and are a vending machine restaurant)
g. Institutions
h. Motels/Hotels
i. Nursing Homes (separated by those that do and do not provide laundry services)
j. Laundries
k. Offices
l. Picnic Parks
m. Assisted Living Homes (separated by those that do and do not provide laundry services)
n. Schools
o. Service Stations (separated by those with bays and without bays)
p. Shopping Centers
q. Swimming Pools
r. Theaters
s. Country Clubs, Fitness Centers, Spas, Health Clubs, and similar entities.
t. All remaining customers not listed above.

1.61 Provide all documents and research items used in considering all construction options.

1.62 Provide all work papers, documents, plats, maps, recordings or other items used to prepare the Application and its attached Exhibits.

1.63 Provide all federal and state income tax returns signed and filed by DSI, Inc. for tax years 1999, 2000, 2001, 2002 and 2003. This request includes all supporting schedules and documents, such as1099s, and the like, whether filed or not.

1.64 Provide all documents discovered, identified or referred to by DSI, Inc. in preparation of the Application.

November 17, 2004

Shannon B. Hudson

Florence P. Belser, Esquire
Shannon Bowyer Hudson, Esquire
**Office of Regulatory Staff**
P.O. Box 11263
Columbia, South Carolina 29211